

Message Text

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ACTION COME-00

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R 201050Z MAR 77
FM AMEMBASSY DOHA
TO SECSTATE WASHDC 2429
INFO AMEMBASSY ABU DHABI
USINT BAGHDAD
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY TEHRAN

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E.O. 11652: N/A
TAGS: BENC, BGEN, QA
SUBJECT: CONTRACTING RULES, PRACTICES AND BARGAINING TECHNIQUES

REF: 76 STATE A-5955; 76 DOHA A-9; STATE 058498

FOLLOWING NUMBERED PARAGRAPHS KEYED TO QUESTIONS PROPOSED
IN DEPARTMENT REF A-5955:

1. PRICE-GOVERNMENT INSISTS ON FIXED PRICE BIDS. NO
PROVISION FOR ESCALATION TO COVER INFLATION. NO COST-
PLUS PROVISIONS. NO PROVISIONS FOR DEMURRAGE. NO
PARTS PRICE ESCALATION CLAUSES. GOVERNMENT AND PRIVATE
SECTOR PRACTICES ARE SAME.

2. BID AND PERFORMANCE BONDS-BONDS ARE REQUIRED.
REQUIREMENT FOR BID BOND VARIES WITH MAJOR PROJECTS.
PERFORMANCE BOND UNIFORMLY SET AT TEN PERCENT. HAVING
QATARI PARTNER CAN REDUCE BONDING REQUIREMENT BUT NO
APPARENT SYSTEM IN REDUCTIONS. THIS DEPENDS LARGELY
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ON WHO PARTNER IS AND THE EXTENT OF HIS CONNECTION
WITH GOQ AND RULING FAMILY. IMPORTED EQUIPMENT MAY
OFFSET BOND BUT THIS AGAIN DEPENDS LARGELY ON CON-
NECTIONS OF AGENT AND/OR PARTNER. UNCONDITIONAL
BANK GUARANTEES SUBJECT TO IMMEDIATE CALL ARE REQUIRED.
BID AND PERFORMANCE BONDS NORMALLY MUST BE NEGOTIATED
THROUGH QATAR NATIONAL BANK.

3. FORCE MAJEURE-CONSTRUED TO INCLUDE WAR, FLOODS, FIRE AND ACTS OF GOD. SOMETIMES STRIKES ARE INCLUDED, EVEN THROGH STRIKES ARE ILLEGAL. PORT DELAYS ARE NOT RPT NOT CONSIDERED FORCE MAJEURE CONDITION.

4. TRAINING-IN EACH CASE TRAINING IS NEGOTIATED INDIVIDUALLY-NO APPARENT SYSTEM. TRAINING EQUIPMENT CAN SOMETIMES BE IMPORTED AND LATER RE-EXPORTED ON A DUTY-FREE BASIS BUT THIS PROVISION SELDOM USED. AGAIN NO APPARENT SYSTEM IN DETERMINING WHETHER THIS PROVISION CAN BE USED.

5. FOREIGN AND DOMESTIC WORKERS-ALMOST ALL LABOR IN ALL PROJECTS ARE OF FOREIGN ORIGIN. MOST FOREIGN LABOR IS FROM SUBCONTINENT AND SOUTH ASIA. THERE IS SMALL PERCENTAGE OF KOREAN LABOR WHICH IS EXPECTED TO INCREASE SINCE GOQ AND CONTACTORS FAVORABLY IMPRESSED WITH KOREANS' PRODUCTIVITY. DEFINITE SHORTAGE EXISTS IN SKILLED, SEMI-SKILLED, AND UNSKILLED LABOR MARKETS. MUCH LABOR IS CONTRACTED OUTSIDE OF QATAR AND BROUGHT IN FOR SPECIFIC PROJECTS. WAGES SET BY LABOR CONTRACTORS WHO SUPPLY MEN. NO REQUIREMENT TO MAINTAIN BALANCE BETWEEN LOCAL AND EXPATRIATE LABOR. HOUSING SHORTAGE IS INCREASING AND LARGE EXPATRIATE LABOR FORCE IS MAKING PROBLEM WORSE. SOME PROJECTS HAVE BEEN DELAYED DUE TO LACK OF ADEQUATE HOUSING FOR LABOR FORCE. FOOD AND CLOTHING UNCLASSIFIED

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ARE AVAILABLE BUT VERY EXPENSIVE--ABOUT 300 PERCENT OF THE U.S. PRICES. MEDICAL AND DENTAL CARE FOR COMMON AILMENTS ARE AVAILABLE BUT ANY SERIOUS DISEASE OR TRAUMATIC ILLNESS WILL MOST LIKELY BE TREATED OUTSIDE OF QATAR. RECREATIONAL ACTIVITIES AVAILABLE FOR COMPANY LOCAL AND EXPATRIATE EMPLOYEES ARE MINIMAL. THERE ARE NO REGULAR REQUIREMENTS ON CONTRACTORS TO SUPPLY SUCH FACILITIES. THERE IS NO LOCAL INDIVIDUAL INCOME TAX. EFFECTS ARE SUBJECT TO NORMAL IMPORT DUTY OF 2.5 PERCENT ADVALOREM. WORK AND RESIDENCE PERMITS ARE A PROBLEM WHICH MUST BE SOLVED AT TIME OF INTRODUCING LABOR TO COUNTRY. ALMOST ALL LABOR IS PAID IN CASH ON A MONTHLY OR SEMIMONTHLY BASIS. EMBASSY NOT AWARE OF ANY SPECIFIC REQUIREMENTS IN PAYING KOREAN, FILIPINO OR PAKISTANI WORKERS.

6. ARBITRATION-ALL CONTRACTS INCLUDE ARBITRATION CLAUSES0 TYPICAL CLAUSE STATES THAT ARBITRATION WILL TAKE PLACE IN QATAR. NO PROVISION MADE FOR

INTERNATIONAL ARBITRATION. FOREIGN CONTRACTORS HAVE HAD MIXED EXPERIENCES WITH LOCAL ARBITRATION BODIES. IN CASES WHERE FOREIGN CONTRACTORS HAVE LOST IN ARBITRATION, THEY ROUTINELY STATE THAT THE ARBITRATION WAS UNFAIR. ON THE OTHER HAND WHEN THEY HAVE PROFITED BY ARBITRATION THEY PRAISE QATAR'S ARBITRATION PROCESS.

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7. LOCAL AGENTS AND REPRESENTATIVES-LOCAL AGENTS ARE REQUIRED. AGENTS ARE HELPFUL IN MOST CASES BUT DEGREE OF THEIR HELPFULNESS DEPENDS LARGELY ON THE AMOUNT OF PROFIT TO BE MADE. IT IS NOT UNUSUAL FOR AN AGENT TO HANDLE THREE OR FOUR COMPETING COMPANIES. COMMISSIONS AND FEES ARE NEGOTIATED ON AN INDIVIDUAL BASIS. TO BE SUCCESSFUL, AGENT MUST HAVE HIGHLY PLACED GOVERNMENT CONTACTS. IN MANY CASES GOVERNMENT OFFICIALS ALSO SERVE AS AGENTS FOR COMPANIES DEALING WITH THEIR OWN DEPARTMENTS. THERE ARE NO CONFLICT OF INTEREST LAWS IN THE STATE OF QATAR.

8. LOCAL PARTNERSHIPS, CORPORATIONS-ADVANTAGES OF ESTABLISHING LOCAL PARTNERS OR CORPORATIONS DEPEND LARGELY ON CHARACTER OF COMPANY. MARKET IN QATAR IS TOO SMALL IN MANY CASES TO SUPPORT ONGOING PARTNERSHIP OR CORPORATIONS. IF MARKET IS DETERMINED TO BE LARGE ENOUGH FOR A SPECIFIC TYPE

OF CORPORATION A LOCAL PARTNERSHIP WOULD BE HIGHLY
DESIRABLE. IN ALL CASES OF LOCAL PARTNERSHIP,
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QATAR PARTNERS MUST HOLD MAJORITY OF EQUITY. CUR-
RENT JOINT VENTURES INCLUDE C.D.F. CHEMIE (PARIS)
AND QATAR PETROCHEMICAL CORPORATION AS WELL AS
JOINT VENTURE BETWEEN NELLO TEER-DAILLY AND GULF
GROUP. IN LATTER CASE NELLO TEER AND DAILLY ARE
AMERICAN COMPANIES FROM DURHAM, N.C., AND DETROIT,
MICH, RESPECTIVELY.

9. GRADUATED OR ADVANCE PAYMENTS-STANDARD U.S.
PAYMENT RULES APPLY. NORMAL ADVANCE IS 20 PERCENT WITH
GRADUATED PAYMENTS THROUGHOUT PROJECT. PAYMENTS ARE MADE
AGAINST BANK GUARANTEE ONLY.

10. LOCAL SUPPLY-TO THE EXTENT POSSIBLE LOCAL
SUPPLY IS ENCOURAGED. IN PRACTICE THIS SELDOM HAPPENS
IN QATAR SINCE VERY FEW SUPPLIES ARE AVAILABLE LOCALLY.
IN COME CASES LOCAL SUPPLY IS CONTRACTED SEPARATELY
AND IN OTHER CASES IT IS INCLUDED IN THE OVERALL
CONTRACT. IN EITHER CASE ESCALATION OF PRICE IS NOT
CONSIDERED TO BE LEGAL. BID AND PERFORMANCE BONDS
ON LOCAL SUPPLIES SUBJECT TO SAME REGULATIONS AS
FOREIGN SUPPLIES. IF LOCAL SUPPLIER RENEGES ON
CONTRACT FOR REASONS OTHER THAN FORCE MAJEURE
(NOTED ABOVE IN PARAGRAPH 3) HE IS BANNED FROM
GOVERNMENT CONTRACTS FOR A PERIOD OF SIX MONTHS.
FOREIGN SUPPLIERS WHO RENEGE FOR ANY REASON
EXCEPT FORCE MAJEURE ARE BLACKLISTED PERMANENTLY.

11. BONDED AREAS-AT PRESENT THERE IS NOT PRO-
VISION FOR BONDED AREAS. GOVERNMENT IS NOW
CONSIDERING INITIATING SYSTEM OF BONDED AREAS TO
ELIMINATE PORT CUSTOM DELAY.

12. LANGUAGE AND UNITS OF MEASUREMENT-BIDS SHOULD
BE SUBMITTED IN BOTH ENGLISH AND ARABIC IF POSSIBLE.
METRIC UNITS ARE NORMALLY USED IN SUBMITTING BIDS.
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TENDERS GENERALLY REQUIRE BRITISH RATHER THAN
AMERICAN STANDARDS.

13. CORPORATE TAXES-ONLY LOCAL CORPORATE TAX ON

CONTRACTOR IS GRADUATED TAX ON PROFITS WHICH VARIES
FROM 5 TO 55 PERCENT. LEGAL STATUS OF CONTRACTOR
DOES NOT AFFECT TAX LIABILITY.

14. MACHINERY AND EQUIPMENT-IN SOMY CASES IT IS
POSSIBLE TO NEGOTIATE WAIVER OF CUSTOMS DUTIES ON
MACHINERY AND EQUIPMENT IMPORTED FOR THE PROJECTS.
THIS AGAIN DEPENDS ON THE AGENT. MACHINERY AND
EQUIPMENT ENTERED ON WAIVED CUSTOMS DOCUMENTS MUST BE
RE-EXPORTED OR, IF SOLD IN LOCAL MARKET, CUSTOMS
DUTIES MUST BE PAID TO VALUE OF EQUIPMENT AT TIME
OF IMPORT. IMPORT DUTIES ARE MENTIONED ABOVE ARE
SET AT 2.5 PERCENT AD VALOREM IN ALL CATAGORIES.

15. NEGOTIABLE CONTRACT CLAUSES-ALL CLAUSES IN
ALL CONTRACTS ARE NEGOTIABLE. IN SOME CASES THIS
APPLIES EVEN WHEN PROVISIONS OF CONTRACT ARE SET
BY LAW.
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